Conditional cash transfers in high-income countries and their impact on human capital accumulation

Márton Medgyesi
Tárki, Social Research Institute

Expert Group Meeting on “Strategies for eradicating poverty to achieve sustainable development for all”
Introduction

• Shift by traditional welfare states to a “social investment state”
• CCTs increasingly popular in low- and middle-income countries: extensive evaluation
• Are CCTs transferable to EU Member States with different contexts (child poverty, institutional and policy context)?

Based on: „Study on Conditional Cash Transfers and their impact on children” commissioned by the EU DG Employment
• Review of existing CCT schemes in EU MSs (+candidate countries)
• Review impacts and identify success factors, challenges

Research Methods:
• Literature review, expert survey, case studies
Definition and design of CCT programs

Definition:
• CCT non-contributory cash transfer conditional on a certain behaviour or the result of that behaviour.
• Conditions relate to human capital accumulation (education, health, parenting support) of children below 18.

Design issues:
• Incentive: framed as a loss (penalty) or a gain (reward)
• Condition: behaviour (eg. attendance) or performance (test score, graduation)?
• Targeting: by income status + targeting to groups with low investment
• Transfer: size, frequency
• Monitoring: frequency
• Sanction/reward:
  -Sanctions can be suspension of benefits/softer (case worker)
  -Immediate/delayed
• Service component
CCTs implemented in developed countries

Conditions related to health
- Birth grants: targeted UK, AT, FR untargeted: AUS, FI, LU, SK, HU
- TANF (USA) : 24 states require immunization, 7 health require checkup

Conditions related to ECEC
- Kindergarten allowance (HU)

Conditions related to compulsory schooling
- Conditioning on school attendance: TANF (in 38 states of the US), Child benefit (SK, CZ, HU, BG, RO), Minimum income benefit (BG, SK, RO, MT, IE), School allowance (BE)

Conditions related to post-compulsory schooling
- Extension of eligibility for child benefit (16 EU MS)
- Grants to finish secondary school: Youth allowance, ABSTUDY (AUS), 11 EU members, eg. EMA (Wales), Equal Opportunities Scholarship (HU)
Potential impacts of CCT programs

Desired effects:

Incentive effect:
- In families where school attendance condition is not met CCT reduces the costs of further education, thus has an additional incentive effect, (UCT has only income effect).

Adverse effects on behaviour:
- Undermining intrinsic motivation by the use of extrinsic motivation.
- Recipients maximise reward (eg. take easier courses if conditioned on credits earned)
- If conditions impose high private costs: lower take up! (eg. stigmatisation).
Review of impact evaluations of 24 CCT programs in developed countries

<table>
<thead>
<tr>
<th>Conditioning on behavior</th>
<th>Conditioning on performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(e.g. enrolment, attendance, homework)</td>
</tr>
<tr>
<td>Health</td>
<td>Negative incentive</td>
</tr>
<tr>
<td></td>
<td>PPI (Maryland)</td>
</tr>
<tr>
<td></td>
<td>PIP (Georgia)</td>
</tr>
<tr>
<td>Early Childhood</td>
<td></td>
</tr>
<tr>
<td>Education and Care</td>
<td></td>
</tr>
<tr>
<td>Primary schooling</td>
<td>Learnfare (Ohio)</td>
</tr>
<tr>
<td></td>
<td>Achieving Change for</td>
</tr>
<tr>
<td></td>
<td>Texans (ACT) (Texas)</td>
</tr>
<tr>
<td></td>
<td>ABC (Delaware)</td>
</tr>
<tr>
<td>Secondary schooling</td>
<td>Learnfare (Wisconsin)</td>
</tr>
<tr>
<td></td>
<td>Learnfare (Ohio)</td>
</tr>
<tr>
<td></td>
<td>ACT (Texas)</td>
</tr>
<tr>
<td></td>
<td>ABC (Delaware)</td>
</tr>
<tr>
<td></td>
<td>SADP (San Diego)</td>
</tr>
<tr>
<td></td>
<td>Cal-Learn* (California)</td>
</tr>
<tr>
<td></td>
<td>LEAP* (Ohio)</td>
</tr>
<tr>
<td></td>
<td>TPDP* (New J., Chicago)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Impacts of CCT programs on human capital development

Results:

- CCTs conditioned on behaviour more often positive effects on behaviour. CCTs conditioned on performance: mixed results.

- Mixed results on the persistence of effects:

- Heterogeneity of impacts:
  - social status: larger effect among less wealthy students e.g. Dearden et al. (2009).
  - school achievement: effect was higher among low-achieving students Learnfare (Dee 2011) and the EMA (UK) programme (Dearden 2009); opposite in case of Opportunity New York City programme (Riccio et al. 2011).
Results on CCT design alternatives

Mixed results with different designs:
- negative/positive incentives,
- programmes conditioned on behavior vs educational performance.

Experiments with varying design parameters (eg. Levitt et al. 2012):
- Negative incentives had a consistently large effect,
- Financial and non-financial incentives had the same effect among younger students, but older students were more responsive to financial incentives.
- Immediate incentives had a strong effect, while delayed incentives had no effect on student test scores.

Combining CCTs with social services?
- Cal-Learn evaluation: (Mauldon 2000). Impact on proportion of secondary-school graduates:
  - Incentives+ case management : + 7points (baseline 24%)
  - Financial incentives: + 3.7 points
  - Case management: +3.2 points
Lessons from case studies

**Child allowance (BG) and Schooltoelage (BE):**
- no quantitative evaluation
- not particularly effective as incentive mechanisms: BG: 30% of non-take up, BE: long time period elapsed between the noncompliance and sanctions
- perceived as unfair sanction

**The Kindergarten Allowance (HU):**
- found successful by quantitative impact evaluations
- Improvement: better fine-tuning of the incentive system, investment in the supply of kindergarten services, active involvement of parents.

**Educational Maintenance Allowance (UK):**
- found successful by quantitative impact evaluations
- not cost effective (covered almost half of student population)
Conclusions

• CCTs can be successful if low demand for services results from lack of information or motivation.
• The incentive structure is best kept simple and the link between behaviour and reward/sanction should be transparent.
• Programs should be adequately designed to the specific policy problem. Pilot projects of the planned intervention are needed, preferably experimenting with different design alternatives.
• Programme impacts should be measured and monitored to understand the effects.
• More research is needed on the effects of conditions, long-term impacts, potential adverse effects.
• Transferability issues: supply of services and admin capacity less problematic
  -policy context
  -social acceptance